

ANGUS COUNCIL

ANGUS COUNCIL – 15 FEBRUARY 2018

ANGUSalive BUDGET SETTLEMENT 2018/19

**JOINT REPORT BY HEAD OF CORPORATE FINANCE AND HEAD OF HOUSING,
REGULATORY AND PROTECTIVE SERVICES**

ABSTRACT

This report summarises the proposed 2018/19 budget settlement between Angus Council and ANGUSalive.

1. RECOMMENDATION

It is recommended that the contents of this report are noted and approved as part of Angus Council's 2018/19 revenue and capital budget setting process.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN / SINGLE OUTCOME AGREEMENT / CORPORATE PLAN

This report contributes as a whole to the achievement of the Council's corporate priorities and the specific targets and objectives within the Council Plan and Local Outcome Improvement Plan.

3. BACKGROUND

Responsibility for leisure, cultural and ACCESS office services transferred from the Council to the ANGUSalive Charitable Trust on 1 December 2016. ANGUSalive is wholly owned by Angus Council but has an independent Board who manage the company's affairs. The ANGUSalive Board has 5 Independent Directors and 4 Angus Councillor Directors.

ANGUSalive is funded in part by income generated from fees and charges but also receives a Management Fee from the Council to part fund the services provided. The Management Fee payment requires ANGUSalive to deliver services on behalf of the Council which are covered by a Service Level Agreement.

The Head of Housing, Regulatory and Protective Services within the Place Directorate is responsible for managing the Council's day to day relationship with ANGUSalive and for ensuring the Management Fee element of the budget is appropriately managed.

Preparing a budget for ANGUSalive therefore requires a partnership approach because decisions have to be made by the Council in relation to the Management Fee and services it wants in return and by the ANGUSalive Board on how it wishes to deliver the required services and pursue its own priorities for the Company.

Council and ANGUSalive officers have been working on a budget settlement for 2018/19 for a number of months and this report sets out the proposals in this regard.

These proposals were considered and approved at the ANGUSalive Finance Sub Committee on 26 January 2018 and will also be considered by the full Board on 23 February 2018.

4. 2018/19 BUDGET PROPOSALS

4.1 2017/18 Approved Budget and Projected Outturn

- ANGUSalve's approved revenue budget was specifically set to deliver a balanced position in 2017/18 and included a management fee from Angus Council of £4.140m as follows:

	<u>£m</u>
Gross Expenditure	9.266
Management Fee	4.140
All Other Income	5.126
Gross Income	<u>9.266</u>
Net Surplus / (Deficit)	<u>0.000</u>

- It should be noted that the delivery of a balanced budget within the £4.140m management fee shown above was achieved after first delivering £314,000 savings (£226,000 from irrecoverable VAT and £88,000 from review of charges).
- Further adjustments to the management fee have been undertaken during 2017/18 taking the 2017/18 management fee to £4.177m as set out below:

	<u>£m</u>
Initial Management Fee	4.140
IT SLA – Transfer back to Council	(0.049)
Reduction to reflect integrated ACCESS services	(0.039)
Pay award uplift	0.125
Revised Management Fee	<u>4.177</u>

- A further uplift to the management fee in 2017/18 (amounting to £0.182 million) relating to Brechin Community Campus (BCC) and Forfar Community Campus (FCC) is due in respect of additional running costs for those facilities. This is added at section 4.2 below.
- The latest outturn position for ANGUSalve (presented to the board meeting of 14 December 2017) was based on actual income received / expenditure incurred up to 30 September 2017 and projected a year end surplus of circa £546,000.
- The achievement of a surplus position continues to be vital to ANGUSalve for 2 main reasons:
 - to build a sufficient level of reserves as required by OSCR; and
 - to allow contributions to be made into Angus Council's Recreation Renewal & Repair Fund for investment in the assets utilised by ANGUSalve (e.g. gym equipment) to enable the customer base to be maintained.

4.2 Determining the 2018/19 Management Fee

- The management fee is essentially subject to discussion and negotiation between Angus Council and the ANGUSalve Board. The 2018/19 management fee payable to ANGUSalve will be established using the revised 2017/18 fee of £4.177m as a base. A number of adjustments are however required in order to establish the starting position for 2018/19:

	<u>£m</u>	<u>Commentary</u>
2017/18 management fee (revised)	4.177	
<i>Less:</i>		
One off uplift for Information Advisors	(0.117)	As agreed via 17/18 budget process
<i>Add:</i>		
Additional uplift for BCC / FCC costs	<u>0.182</u>	
Base 2018/19 management fee	<u>4.242</u>	

- Key to agreeing the budget package is to consider:
 - Savings which can or need to be made in the existing budget
 - Investment bid / budget pressures which need to be recognised
 - Potential additional income from review of charges.

4.3 Savings Already Achieved by Angus Council Through Move to ANGUSalve

- For context – it should be noted that as a direct result of the move to ANGUSalve, savings of £0.784m were made at the point of transfer with a further £0.296m of savings having been made subsequently as a direct result of the move. This is summarised below.

<u>Saving</u>	<u>Actual Saving</u> 2016/17 £m	<u>Actual Saving</u> 2017/18 £m	<u>Total Savings</u> £m	<u>Commentary</u>
Non Domestic Rates	0.629	0.070	0.699	Saving in S2C budget
VAT	0.155	0.226	0.381	Saving in ANGUSalve budget
Total	0.784	0.296	1.080	

- Other change initiatives have also been undertaken by ANGUSalve which have also realised both savings and operational efficiencies which have resulted in ANGUSalve having generated a cash surplus following the move, as well as the cash surplus which is projected for the current financial year.

4.4 2018/19 Savings

- A saving requirement of £0.300m per annum for the next 3 financial years (totalling £0.900m has been set for delivery by ANGUSalve.
- This is based on estimates that ANGUSalve would require to save an average of £300,000 per annum in order to self-fund pay awards, salary increments and other underlying cost pressures.

4.5 Investment Bids / Budget Pressures

- No investment bids were submitted by Services to Communities (on behalf of ANGUSalve) as part of the Council's 2018/19 revenue budget process.
- ANGUSalve will however receive uplifts to the management fee to compensate for budget pressures resulting from pay awards, staff increments and living wage changes.

4.6 2018/19 Review of Charges

- A review of the fees and charges to be applied by ANGUSalve in 2018/19 is currently ongoing by ANGUSalve officers, and as yet no conclusion has been drawn as to potential levels of additional income which may be achieved (if any) by increasing charges.
- In establishing any additional income, this does not simply equate to the application of a percentage uplift to existing fees and charges – a customer resistance factor must also be taken into account, as well as the pricing structures of any similar providers in the area.
- For information purposes, in setting the 2017/18 budget it was anticipated that the (average) 5% increase applied would bring in additional income of £88,000 and this formed part of the package that delivered the savings requirement for 2017/18.
- A report considering revised fees and charges in principle was considered by the ANGUSalve Finance Sub Committee on 26 January 2018 and a more detailed report of the implications will be presented to the ANGUSalve Board and Council Communities committee in due course.
- On the basis of the budget settlement proposal for 2018/19, the potential impact of the charges review on additional income in 2018/19 could help ANGUSalve bridge the gap between the proposed management fee level set out below and the base management fee carrying forward from 2017/18.

4.7 2018/19 Proposed Management Fee

- On the basis of the above, the proposed budget settlement (management fee payable) for ANGUSalve for 2018/19 has been determined as follows:

	<u>£m</u>
Base management fee (per section 2)	4.242
<i>Add:</i>	
Salary increments (actual)	0.025
Pay award (estimate)	0.169
Living wage (estimate)	0.005
<i>Less:</i>	
Change Programme saving requirement	(0.300)
Proposed 2018/19 Management Fee	<u>4.141</u>

- The pay costs included above are based on existing ANGUSalve staffing levels prior to the outcome of their ongoing structure review.
- The proposed settlement would result in a cash reduction in the management fee payable of £0.101m.

5. FINANCIAL IMPLICATIONS

There are no immediate financial implications arising from the recommendations of this report.

The proposals outlined in this report are subject of approval through other reports on the Agenda of this meeting and have been reflected in the net expenditure summary and Council Tax calculation.

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NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.